

Ways and Means Acts – Fiscal Notes

[HF 975](#) – Economic Development Authority and Finance Authority, Programs and Duties (LSB1410HV.2)

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Fiscal Note Version – Final Action

Description

[House File 975](#) changes various programs, activities, and appropriations for the Iowa Economic Development Authority (IEDA).

The following divisions of the Act have no fiscal impact:

- **Division I** — Strategic Infrastructure Program
- **Division III** — Community Attraction and Tourism, and Vision Iowa — Required Benefits
- **Division IV** — Community Attraction and Tourism Program, and Sports Tourism Marketing and Infrastructure Program — Application Review
- **Division VI** — Homelessness — Iowa Finance Authority
- **Division VII** — Title Guaranty Board — Elimination
- **Division IX** — Conforming Changes
- **Division X** — Iowa Reinvestment Act — District Establishment

The following divisions of the Act have a fiscal impact and are described in further detail below:

- **Division II** — Brownfield, Grayfields, and Redevelopment Tax Credits
- **Division V** — Historic Preservation Tax Credit
- **Division VIII** — Arts and Culture

Division II — Brownfield, Grayfields, and Redevelopment Tax Credits

Description

Division II of the Act eliminates the Brownfield Redevelopment Program, the Brownfield Redevelopment Fund, and the Brownfield Redevelopment Advisory Council. The Division makes changes related to the review of Redevelopment Tax Credit applications and transfers any remaining moneys in the Brownfield Redevelopment Fund into a fund or funds established pursuant to Iowa Code section [15.335B](#).

Background

A brownfield is an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination.

The Brownfield Redevelopment Program provides financial and technical assistance for the acquisition, remediation, or redevelopment of brownfield sites. The Brownfield Redevelopment Fund last received an appropriation in FY 2010 from the Environment First Fund. As of May 13, 2025, there was approximately \$1.4 million in the Brownfield Redevelopment Fund.

Assistance for brownfields is also available under the Redevelopment Tax Credit. Additional information about the Redevelopment Tax Credit can be found in this [Fiscal Topic](#).

A fund or funds established pursuant to Iowa Code section 15.335B may be used for the following purposes:

- To provide project completion assistance and program support to eligible businesses related to certain tax credits, tax refunds, and tax exemptions.
- To provide certain economic development region financial assistance.
- To provide financial assistance for business accelerators.
- To support the Innovation and Commercialization Fund.
- To provide financial assistance to businesses engaged in disaster recovery.
- To support the Entrepreneur Investment Awards Program Fund.
- To support the Strategic Infrastructure Fund.
- To support the Nuisance Property Remediation Fund.
- To support the Community Catalyst Building Remediation Fund.

Assumptions

No revenue or expenses will be registered for the Brownfield Redevelopment Fund in FY 2025 after May 13, 2025.

Fiscal Impact

Division II of the Act transfers the balance of the Brownfield Redevelopment Fund to a fund or funds established pursuant to Iowa Code section 15.335B as determined by the IEDA. As of May 13, 2025, there was \$1,446,480 in the Brownfield Redevelopment Fund.

Division V — Historic Preservation Tax Credit

Description

Division V of the Act provides that the Historic Preservation Tax Credit (HPTC) may not be used for single-family home projects unless the project results in two or more new single-family homes that are located in the same neighborhood and that were not available for occupancy in the preceding six months. The Division makes changes to the award date, commencement date, and registration date of qualified rehabilitation projects. The IEDA may grant up to two 12-month extensions of a project's completion date.

The Division permits the IEDA to award 20.0% more than the \$45.0 million maximum aggregate award limit for the HPTC if an applicant is eligible for \$10.0 million or more in tax credits. Tax credits awarded in excess of the maximum aggregate award limit are credited to the succeeding fiscal year.

Background

The HPTC provides a 25.0% tax credit for qualified expenditures incurred during the substantial rehabilitation of eligible historic properties in Iowa. To qualify, the property or district must meet any of the following criteria:

- The property is listed on the National Register of Historic Places or is eligible for such a listing.
- The property is designated as having historic significance to a district listed in the National Register of Historic Places or is eligible for this designation.
- The property or district is designated as a local landmark by a city or county ordinance.
- The property is a barn constructed before 1937.

Additional information on the HPTC, including redemption history, is available in the HPTC [Fiscal Topic](#).

Assumptions

- Tax credits are claimed in the year in which they are awarded.
- Requirements for claiming the HPTC are unchanged during the projection period.
- Demand for the HPTC is unchanged during the projection period.
- In any given fiscal year, the maximum aggregate award limit cannot exceed \$54.0 million.
- Any amount exceeding the maximum aggregate award limit in one year will be credited against the following year's award amount.

Fiscal Impact

Division V of the Act is estimated to have a net neutral fiscal impact over a two-year period. Allowing the HPTC to exceed the maximum aggregate award limit may decrease revenue to the General Fund by up to \$9.0 million in any given year with an equal increase in revenue the following year.

Division VIII — Arts and Culture

Description

Division VIII of the Act eliminates the following IEDA programs:

- Regional conferences and a statewide caucus on arts and cultural enhancement.
- The Cultural and Entertainment Districts Certification Program.
- The Iowa Great Places Program and the Iowa Great Places Program Fund.
- The Culture, History, and Arts Teams Program.

- The Iowa Cultural Trust, the Iowa Cultural Trust Fund, and the Iowa Cultural Trust Grant Account.
- The Community Cultural Grants Program and the Operational Support Grants Program.

The Division removes the requirement that the IEDA do the following:

- Have advisory groups established by administrative rule.
- Develop and implement certain fee-based educational programming opportunities.
- Conduct surveys of existing art and cultural programs.
- Have a film office.

The Division establishes the Arts and Culture Enhancement Fund. Interest or earnings on the Fund are deposited in the Fund. Moneys in the Fund at the close of a fiscal year remain in the Fund and do not revert to the General Fund. Moneys in the Fund must be used for the following purposes:

- To provide support to municipal and nonprofit arts and cultural organizations that serve as significant attractions or community resources.
- To support artists and entities that foster artistic and cultural expression, promote lifelong learning and engagement in the arts, advance community development goals, or emphasize Iowa's diverse heritage through artworks.
- To increase access to arts and culture in rural and underserved communities.
- To promote and invest in film, television, and video projects in the State.
- To address other goals and priorities included in the IEDA's comprehensive, statewide, long-range plan to develop the arts in Iowa.
- To cover the administrative costs of programs under the Arts and Culture Enhancement Fund.

The Division makes changes related to the selection of the chairperson and the duties of the Iowa Arts Council.

The Division provides that the \$520,000 standing appropriation in Iowa Code section [99F.11\(4\)\(d\)\(1\)](#) for operational support grants and community cultural grants be deposited in the Arts and Culture Enhancement Fund.

The Division transfers all remaining unencumbered and unobligated moneys in the Iowa Great Places Program Fund, the Iowa Cultural Trust Fund, and the Iowa Cultural Trust Grant Account to the Arts and Culture Enhancement Fund.

Background

In FY 2025, the Community Cultural Grants Program received an appropriation of \$172,090, Cultural Trust Grants received an appropriation of \$150,000, and the Iowa Great Places Program received an appropriation of \$149,710.

Under current law, Iowa Code section 99F.11(4)(d)(1) provides a standing limited appropriation of \$520,000 for operational support grants and community cultural grants from a portion of the State Wagering Tax revenue deposited in the General Fund. For FY 2025, this standing appropriation was limited to \$448,403 in 2024 Iowa Acts, [Senate File 2432](#) (FY 2025 Economic Development Appropriations Act).

Assumptions

- Changes related to the appropriations for the Community Cultural Grants Program, Cultural Trust Grants, and the Iowa Great Places Program will be determined in the annual Economic Development Appropriations Act.
- No revenue or expenses will be credited to the Iowa Great Places Program Fund, the Iowa Cultural Trust Fund, and the Iowa Cultural Trust Grant Account for the remainder of FY 2025.

Fiscal Impact

Division VIII of the Act creates the Arts and Culture Enhancement Fund. Interest earned on moneys in to the Fund will remain with the Fund. The moneys in the Fund will not revert but will remain available for expenditure for subsequent fiscal years.

The Division modifies a standing appropriation of \$520,000 for operational support grants and community cultural grants by instead depositing it in the Arts and Culture Enhancement Fund.

The Division transfers moneys in the Iowa Great Places Program Fund, the Iowa Cultural Trust Fund, and the Iowa Cultural Trust Grant Account to the Arts and Culture Enhancement Fund. As of May 13, 2025, there was \$126,584 in the Iowa Great Places Program Fund; \$64,513 in the Iowa Cultural Trust Fund; and \$30 in the Iowa Cultural Trust Grant Account.

Fiscal Impact Summary

House File 975 is estimated to increase and decrease the amount of funds available for various funds and programs as shown in **Figure 1**.

Figure 1 — Fiscal Impact of House File 975

Division II	FY 2026	FY 2027	FY 2028
Brownfield Redevelopment Fund	\$ -1,446,480	\$ 0	\$ 0
A Fund under Iowa Code section 15.335B	1,446,480	0	0
Division V			
HPTC maximum aggregate award limit	Unknown	Unknown	Unknown
Division VIII			
Operational Support Grants	\$ -520,000	\$ -520,000	\$ -520,000
Iowa Great Places Program Fund	-126,584	0	0
Iowa Cultural Trust Fund	-64,513	0	0
Iowa Cultural Trust Fund Account	-30	0	0
Arts and Culture Enhancement Fund	711,127	520,000	520,000
Total	\$ 0	\$ 0	\$ 0

Division V of the Act is estimated to have a net neutral fiscal impact over a two-year period. The Division may decrease revenue to the General Fund by up to \$9.0 million in one year with an equal increase in revenue to the General Fund in the following year.

Effective Date

This Act is effective on July 1, 2025. **Division X** of this Act applies retroactively to July 1, 2020.

Enactment Date

This Act was approved by the General Assembly on May 12, 2025, and signed by the Governor on June 6, 2025.

Sources

Iowa Economic Development Authority
Department of Revenue
State Accounting System

[HF 976](#) – Department of Revenue, Omnibus Tax (LSB1390HV.2)

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Fiscal Note Version – Final Action

Description

[House File 976](#) modifies tax provisions by the Iowa Department of Revenue (IDR) related to personal income tax, property tax, sales and use tax, motor fuel tax, and inheritance tax and changes tax expenditure reviews.

The following divisions of the Act have no fiscal impact:

- **Division I** — Disclosure of Tax Information. **Division I** takes effect on June 6, 2025.
- **Division II** — Annual Reporting.
- **Division III** — Property Tax — Section 9 of **Division III** amending Iowa Code section [445.60](#) takes effect on June 6, 2025.
- **Division IV** — Farm Tenancy Income Tax Exclusion.
- **Division V** — Pass-Through Entities. **Division V** takes effect on June 6, 2025, and is retroactively effective to January 1, 2024.
- **Division VI** — Sales Tax Changes.
- **Division VII** — Motor Fuel Taxes.
- **Division VIII** — Inheritance Tax — Future Code Changes Due to Repeal. **Division VIII** takes effect on June 6, 2025, and applies retroactively to January 1, 2025, for the estates of decedents dying on or after January 1, 2025.
- **Division X** — Estimated Tax Threshold. **Division X** takes effect January 1, 2026, for tax years beginning on or after that date.
- **Division XI** — Tax Expenditure Review — Section 65 of **Division XI** amends Section 169 of 2017 Iowa Acts, chapter [29](#) (Substantive Code Editor's Act), to take effect on July 1, 2039.

The following divisions of the Act have a fiscal impact and are described in further detail below:

- **Division IX** — Lump Sum Distribution of Retirement Income. **Division IX** takes effect on June 6, 2025, and is retroactive for tax years beginning on or after January 1, 2025.
- **Division XII** — Limitations on Sales Tax Exemptions and Refunds and Transfers to the Energy Infrastructure Revolving Fund. **Division XII** takes effect on June 6, 2025.

Division IX — Lump Sum Distribution of Retirement Income

Description

Division IX of the Act does the following:

- Exempts a lump sum distribution from a retirement account from State taxation for a person who is disabled, who is 55 years of age or older, or who is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption for the tax year.
- Excludes the lump sum distribution exempt from State taxation in the Act from the individual income tax filing calculation thresholds in Iowa Code section [422.5](#).
- Takes effect on June 6, 2025, and applies retroactively to tax years beginning on or after January 1, 2025.

Background

2022 Iowa Acts, [House File 2317](#) (Income Tax Rate Reduction and Exemptions Act), exempted all income defined as retirement income from the State individual income tax for disabled taxpayers and taxpayers aged 55 years or older. The exemption also applies to a deceased person's retirement income that is received by a surviving spouse or a person with an insurable interest in the deceased person. The change did not alter the full retirement pay exemption available to retired military personnel, which is not based on age or disability.

House File 2317 also excluded retirement income from the calculation of Iowa's universal and age-based low-income full exemptions from individual income tax.

[26 U.S.C. §402](#)(e) controls federal taxability of the beneficiary of employees' trusts and lump-sum distributions and defines the laws for federal taxation of these transfers.

Assumptions

- In available data from the three most recent tax years (TYs), TY 2020, TY 2021, and TY 2022, the total amount of lump-sum tax reported averaged \$20,000 per tax year, with an average of 92 households per year reporting income.
- The IDR estimates that out of the total of \$20,000 on average per tax year, approximately \$11,000 on average per tax year would have been eligible for the tax exemption under **Division IX** of the Act.

Fiscal Impact

Division IX of the Act will decrease General Fund revenue by \$11,000 beginning in FY 2026, increasing annually by the rate of growth in Iowa personal income.

Division XII — Limitations on Sales Tax Exemptions and Refunds and Transfers to the Energy Infrastructure Revolving Fund.

Description

Division XII pertains to sales tax exemptions, sales tax refunds, and property tax exemptions.

The Division establishes an expiration date for the current sales and use tax exemption for backup power generation fuel and electricity purchased by web search portals, web search portal businesses, and data center businesses. The exemption expires 10 years after relevant new construction in a city with a population of more than 30,000 and expires 15 years after relevant new construction outside of a city with a population of more than 30,000.

The Division requires sales and use tax received after the expiration of the sales and use tax exemption to be deposited in the Energy Infrastructure Revolving Loan Fund.

The Division allows a data center business that leases a data center to qualify for the sales and use tax exemption or refund related to backup power generation fuel, electricity, computers, and equipment.

Eligible businesses are required to register and file a report with the IDR before receiving the exemption.

The Division expands the property tax exemption under Iowa Code section [427.1\(37\)](#) to include instances where a data center is leased by an entity operating a data center business. This provision extends eligibility for property tax exemptions to leased facilities, whereas previously, only owner-occupied data centers qualified.

Division XII of the Act takes effect on June 6, 2025.

Background

Under current law, there is no expiration of the sales and use tax exemption for backup power generation fuel and electricity purchased by a web search portal, a web search portal business, or a data center for maintenance and operation.

Data centers ineligible for a sales tax exemption may receive a 50.0% sales tax refund if certain conditions are met. The refund is available at 5.0% of the sales price. Leased data centers are not eligible for a sales tax refund related to backup power generation fuel, electricity, computers, and equipment or a property tax exemption related to computers and equipment.

The Energy Infrastructure Revolving Loan Fund provides financial assistance for the development and construction of energy infrastructure related to electric or gas generation, electric grid modernization, energy sector workforce development, emergency preparedness, biomass, biogas, renewable natural gas, innovative technologies, and alternative fuel vehicle infrastructure. As of March 20, 2025, the Fund balance was \$13.7 million.

Assumptions

- Businesses receiving tax exemptions and refunds will remain compliant with necessary statutes to continue receiving the exemptions and refunds throughout the projection period.
- Annual inflation is 2.3% during the projection period.
- The average value of a data center is \$160.8 million.

- The Division goes into effect July 1, 2025.

Sales Tax Exemption and Sales Tax Refunds

- Backup power generation fuel and electricity purchases by web search portals, web search portal businesses, and data center businesses are assumed to be comparable for purposes of this estimate.
- Information technology infrastructure composes 80.0% of a data center's value.
- Each year, beginning in the fifth year after construction, 25.0% of a data center's information technology infrastructure will be replaced.
- The value of purchases of backup power generation fuel, electricity, computers, and equipment is made proportionally to minimum investment requirements to qualify for sales and use tax exemptions and refunds.
- Purchases of backup power generation fuel are included in electricity costs.
- The first sales and use tax-related equipment purchases will occur in FY 2026. The first sales and use tax-related electricity purchases will occur in FY 2027.
- Data centers eligible for the sales and use tax exemption average a 100-megawatt capacity. Server operational time in data centers with a 100-megawatt capacity or greater averages 45.0% and consumes 394.2 million kilowatt-hours per year.
- Data centers eligible for the refund in Iowa Code section [423.4\(8\)](#) average a 10-megawatt capacity. Server operational time in data centers with between 1-megawatt capacity and 100-megawatt capacity averages 20.0% and consumes 17.5 million kilowatt-hours per year.
- Data centers eligible for the refund in Iowa Code section [423.4\(7\)](#) average a 1-megawatt capacity. Server operational time in data centers with 1-megawatt capacity or less averages 20.0% and consumes 1.75 million kilowatt-hours per year.
- The price of electricity is \$0.07 per kilowatt-hour for industrial customers.
- One data center under each of the following Iowa Code sections will become eligible in FY 2026 for a sales and use tax exemption or refund: Iowa Code sections [423.3\(95\)](#), [423.4\(7\)](#), and [423.4\(8\)](#). The data center eligible for an exemption is in a city with a population of more than 30,000.
- There is no new construction or addition to a relevant property under Iowa Code sections [423.3\(92\)](#) and [423.3\(93\)](#) for web search portals or web search portal businesses during the projection period.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local Option Sales Tax (LOST) distributions are estimated to be 0.97% of taxable expenditures.

Property Tax Exemption

- The first property tax impact will occur beginning in the second half of assessment year (AY) 2027 and apply to FY 2029 property tax receipts.
- Data center construction is estimated to be completed after two years.
- The industrial property consolidated tax rate is \$30.52937 per \$1,000 of taxable value in FY 2024. This rate will continue in future years.
- Industrial property has a 90.0% assessment limitation.

- The State Foundation Aid formula provides a General Fund backfill of \$5.40 per \$1,000 of taxable value.
- One data center will become eligible for the property tax exemption under Iowa Code section 427.1(37) in FY 2026. The data center is in a city with a population of more than 30,000.

Fiscal Impact

Division XII of the Act is estimated to decrease revenue to the General Fund, the SAVE Fund, and local governments by the amounts shown in **Figure 1**.

Figure 1 — Division XII Fiscal Impact (in Millions)

	General Fund	SAVE	Local Revenue
FY 2026	\$ -6.7	\$ -1.3	\$ -1.3
FY 2027	-1.5	-0.3	-0.3
FY 2028	-1.5	-0.3	-0.3
FY 2029	-2.3	-0.3	-2.8
FY 2030	-5.2	-0.7	-5.5

The fiscal impact related to the removal of the sales and use tax exemptions for backup power generation fuel and electricity in 10 years and 15 years for web search portals, web search portal businesses, and data center businesses is estimated to increase revenue to the Energy Infrastructure Revolving Loan Fund by approximately \$1.7 million annually beginning in FY 2036.

Fiscal Impact

The total fiscal impact of HF 976 is estimated to reduce State revenue by the amounts shown in **Figure 2**.

Figure 2 — State Revenue Impact (in Millions)

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Division IX — Lump Sum Distribution of Retirement Income — General Fund	\$ -0.0	\$ -0.0	\$ -0.0	\$ -0.0	\$ -0.0
Division XII — Sales Tax Exemptions and Refunds — General Fund	-6.7	-1.5	-1.5	-2.3	-5.2
Division XII — Sales Tax Exemptions and Refunds — SAVE	-1.3	-0.3	-0.3	-0.3	-0.7
Total State Revenue Change	<u>\$ -8.0</u>	<u>\$ -1.8</u>	<u>\$ -1.8</u>	<u>\$ -2.6</u>	<u>\$ -5.9</u>

The Act is estimated to reduce local government revenue by the amounts shown in **Figure 3**.

Figure 3 — Local Government Revenue Impact (in Millions)

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Division XII — Sales Tax Exemptions and Refunds — Property Tax Exemptions	\$ -1.3	\$ -0.3	\$ -0.3	\$ -2.8	\$ -5.5

Effective Date

The majority of the Divisions of this Act are effective July 1, 2025. **Division I** of this Act related to the disclosure of tax information, Section 9 of **Division III** of this Act related to property tax, and **Division XIII** of this Act related to sales tax exemptions are effective on June 6, 2025. **Division V** of this Act related to pass through entities is effective on June 6, 2025, and is retroactively effective to January 1, 2024. **Division VIII** of this Act related to the inheritance tax and **Division IX** related to the lump sum distribution of retirement income are effective on June 6, 2025, and apply retroactively to January 1, 2025. **Division X** of this Act related to the estimated tax threshold is effective January 1, 2026. Section 65 of **Division XI** related to tax expenditure reviews is effective on July 1, 2039.

Enactment Date

This Act was approved by the General Assembly on May 13, 2025, and signed by the Governor on June 6, 2025.

Sources

Iowa Department of Revenue
Iowa Department of Transportation
Legislative Services Agency analysis

[SF 603](#) – Workforce Development, Programs and Duties (LSB1442SZ.3)
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Fiscal Note Version – Final Action

Description

[Senate File 603](#) has three divisions.

Division I eliminates and modifies various programs and duties under Iowa Workforce Development (IWD). The Division also transfers certain responsibilities between IWD and the Department of Education.

Division II modifies the definition of “taxable wages” for purposes of unemployment insurance taxes on employers to exclude wages paid by Iowa employers to employees who work in another state if the other state extends reciprocity to Iowa for employment purposes. This eliminates the taxable wage credit.

Division III prevents State agencies and political subdivisions from imposing additional requirements related to apprenticeship training on contractors, except as required by State law. Counties, cities, and school districts may not impose requirements on contractors related to a contractor’s employee compensation or training except as required by State law. This Division takes effect upon enactment.

[Senate File 626](#) (Federal Block Grant Appropriations Act) amended **Division III** of SF 603 to allow cities to receive incentives contingent upon compliance with contractor employee compensation or training restrictions if required under federal law.

Background

Under current law, taxable wages include the wages paid by an Iowa employer to an employee who works in Iowa and to an employee who works in another state that extends reciprocity to Iowa for employment purposes. In Iowa, the taxable wage credit applies the wages earned in another state by an employee to the taxable wage base for that employee in a given year.

Assumptions

- 2.5% of employers in Iowa use the taxable wage credit.
- Federal funding related to unemployment insurance programs will not change.
- The full-time equivalent (FTE) positions associated with the taxable wage credit may be reassigned to other unemployment insurance activities.

Fiscal Impact

Division I is not anticipated to have a fiscal impact.

Division II is estimated to increase revenue to the Unemployment Compensation Trust Fund by \$394,000 annually due to the elimination of the taxable wage credit. There are 3.0 FTE positions at an annual cost of \$195,000 that administer the taxable wage credit and are paid from federal funds.

Division III is not anticipated to have a fiscal impact to the State. The Division may impact financial assistance received by counties, cities, and school districts.

Effective Date

Divisions I and II of this Act are effective on July 1, 2025. **Division III** of this Act is effective March 28, 2025.

Enactment Date

This Act was approved by the General Assembly on March 19, 2025, and signed by the Governor on March 28, 2025.

Source

Iowa Workforce Development

[SF 607](#) – Unemployment Benefits, Contribution Rates (LSB1022SZ.3)

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Fiscal Note Version – Final Action

Description

[Senate File 607](#) modifies the definition of “taxable wages” for purposes of unemployment insurance taxes on employers by excluding wages paid by Iowa employers to employees who work in another state if the other state extends reciprocity to Iowa for employment purposes. The Act reduces the taxable wage base used to calculate unemployment insurance taxes for employers from 66.7% to 33.3% of the annualized statewide average wage.

The Act modifies employer contribution rates, including changing the highest contribution rate from 9.0% to 5.4%. The Act reduces the number of benefit ratio ranks from 21 to 9 and the number of contribution rate tables from 8 to 4. The benefit ratio rank of new nonconstruction contributory employers is changed from 12 to 4 and the benefit ratio rank of new construction or landscaping contributory employers is changed from 21 to 9. The Act modifies the computation of the reserve fund ratio and changes how the effective contribution rate table is determined.

Background

Under current law, taxable wages include the wages paid by an Iowa employer to an employee who works in Iowa and to an employee who works in another state that extends reciprocity to Iowa for employment purposes. In Iowa, the taxable wage credit applies the wages earned in another state by an employee to the taxable wage base for that employee in a given year.

Taxable wages are 66.7% of the statewide average weekly wage from the previous year multiplied by 52 and rounded to the nearest multiple of 100. This results in the current taxable wage base of \$39,500. This is the amount that an employer pays an employee that is eligible for unemployment insurance taxation. The taxable wage base is estimated to be \$19,800 under the Act. If the taxable wages under the State definition are lower than the taxable wages under the federal definition (\$7,000), then the federal definition is used.

An employer’s contribution rate is a dynamic calculation made each year and is dependent upon the calculation of the current reserve ratio, the benefit ratio rank, and the contribution rate table in effect for the rate year. Contribution Rate Table 8 is in effect for calendar year (CY) 2025.

According to the U.S. Department of Labor, as of March 1, 2025, the balance of Iowa’s Unemployment Compensation Trust Fund was \$1.887 billion. This does not include the Unemployment Compensation Reserve Fund. **Figure 1** shows the historical revenue, expenditure, and balance data for the Trust Fund.

Figure 1 — Unemployment Compensation Trust Fund History
(in Millions)

	Combined Total	Regular	
	Revenue	Benefits Paid	Fund Balance
CY 2014	\$ 484.1	\$ 402.6	\$ 941.7
CY 2015	403.7	417.6	938.9
CY 2016	492.5	423.5	1,011.5
CY 2017	506.6	402.6	1,106.1
CY 2018	440.7	364.7	1,181.9
CY 2019	444.5	381.8	1,254.0
CY 2020*	934.2	1,254.2	999.5
CY 2021*	688.7	404.7	1,392.9
CY 2022	450.8	253.9	1,610.8
CY 2023	444.6	260.5	1,811.3
CY 2024	474.0	316.4	1,935.8

* Includes one-time federal funds.

More information about the Unemployment Compensation Trust Fund is available in this [Fiscal Topic](#).

Assumptions

- The estimates in this **Fiscal Note** use CY 2024 data.
- Changes to the taxable wage credit, the taxable wage base, and the tax tables will take effect in CY 2026.
- The taxable wage credit is used by 2.5% of Iowa employers.
- The full-time equivalent (FTE) positions associated with the taxable wage credit may be reassigned to other unemployment insurance activities. There are 3.0 FTE positions at a total annual cost of \$195,000 that administer the taxable wage credit and are paid from federal funds.
- Federal funding related to unemployment insurance programs will not change during the projection period.
- The interest rate earned on the Unemployment Compensation Trust Fund in future fiscal years will be 2.2%.
- Contribution Rate Table 8 is currently in effect. Under the Act, Contribution Rate Table D is assumed to be in effect during the projection period.
- If the Unemployment Compensation Trust Fund balance decreases to the point that the total funds available for the payment of benefits divided by the total wages paid in covered employment excluding reimbursable employment wages is below 1.3%, Contribution Table C would go into effect, which would increase the tax rate and help stabilize the balance of the Trust Fund.
- There will be no one-time federal funds deposited in the Trust Fund during the projection period.
- Employment and unemployment trends will remain constant during the projection period.
- Wages will increase by 3.0% annually.

Fiscal Impact

Senate File 607 is estimated to decrease revenue to the Unemployment Compensation Trust Fund by the amounts listed under the Fiscal Impact column in **Figure 2**. Estimates of benefits paid and the balance of the Trust Fund are also included in **Figure 2**.

Figure 2 — Fiscal Impact of SF 607
(in Millions)

	Current Law Revenue	SF 607 Estimated Revenue	SF 607 Fiscal Impact	Regular Benefits Paid	Trust Fund Balance
CY 2026	\$ 495.7	\$ 302.6	\$ -193.2	\$ 335.7	\$ 2,055.3
CY 2027	512.8	283.3	-229.4	345.7	1,992.9
CY 2028	530.4	289.1	-241.2	356.1	1,925.9
CY 2029	548.5	295.0	-253.5	366.8	1,854.1
CY 2030	567.3	301.0	-266.3	377.8	1,777.4

Effective Date

This Act is effective on July 1, 2025.

Enactment Date

This Act was approved by the General Assembly on May 14, 2025, and signed by the Governor on June 5, 2025.

Sources

Iowa Workforce Development
U.S. Department of Labor
Legislative Services Agency calculations

[SF 612](#) – Cigarette and Tobacco Taxes, Permits, and Reports (LSB1387SV.3)

Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov

Fiscal Note Version – Final Action

Description

[Senate File 612](#) relates to cigarette and tobacco regulations, city budgets, and tax credits.

Division I — Cigarette and Tobacco-Related Regulations

Description

Division I of the Act requires that certain tax returns, permits, bonds, and reports related to cigarettes, tobacco products, alternative nicotine products, and vapor products be filed electronically.

The Division provides that retail permits for tobacco, tobacco products, alternative nicotine products, and vapor products are issued by the Iowa Department of Revenue (IDR) after the approval of the city or county in which the retailer is located. Local permit fees are collected by the IDR and remitted to the city or county in which the retailer is located.

The Division provides that a person who fails to timely submit a required return, report, or other documentation upon which no tax is shown due is subject to a \$50 penalty.

The Division provides that any application, bond, fee, report, return, remittance, or other documentation required to be submitted electronically that is not submitted electronically is considered not to be a valid submission.

The Division takes effect July 1, 2025.

Background

Tax returns, permits, bonds, and reports related to cigarettes, tobacco products, alternative nicotine products, and vapor products are not required to be filed electronically. Under current law, cities and counties may issue retail permits for tobacco, tobacco products, alternative nicotine products, and vapor products.

Assumptions

- Revenues from the \$50 penalty created in the Act are deposited into the General Fund.
- There are 147 active State cigarette or tobacco permits.

- Any application, bond, fee, report, return, remittance, or other documentation that was filed electronically will continue to be filed electronically.

Fiscal Impact

The creation of a \$50 penalty for the failure to timely submit certain documentation to the IDR in **Division I** of the Act may increase revenue to the General Fund; however, this is anticipated to be minimal.

Division II — City Budget Certification Deadline

Description

Division II of the Act allows a qualified city with a population of between 20,400 and 20,500 that failed to meet the deadline to certify a budget for FY 2026 to certify a budget on or before July 1, 2025. A qualified city is not required to conduct a public hearing on the city's FY 2026 budget.

Division II takes effect upon enactment.

Background

A city whose budget is certified after April 30 is limited to the taxes levied in the previous fiscal year. A public hearing must be held before a budget is certified. A notice of the public hearing must be published not less than 10 days and not more than 20 days before the public hearing in a newspaper having general circulation in the city.

Assumptions

Planned city FY 2026 budgets and tax levies impacted by the Act are unknown.

Fiscal Impact

Division II of the Act may impact the revenues and expenses of cities in FY 2026; however, the amount of the impact cannot be estimated due to a lack of data.

Division III — Historic Preservation Tax Credit

Description

Division III of the Act increases the refund rate of the Historic Preservation Tax Credit (HPTC) to 100.0%. The Division applies retroactively to tax years beginning on or after January 1, 2025.

Background

The HPTC provides a 25.0% tax credit for qualified expenditures incurred during the substantial rehabilitation of eligible historic properties in Iowa. Under current law, the refund rate for the HPTC is as follows:

- Tax year (TY) 2025 = 85.0%
- TY 2026 = 80.0%
- TY 2027 and beyond = 75.0%

Additional information on the HPTC, including redemption history, is available in the HPTC [Fiscal Topic](#).

Assumptions

- The maximum aggregate award limit of \$45.0 million will be awarded each year.
- Changes to the HPTC will have no impact on the school district surtax.
- Under current law, 79.4% of the HPTC maximum aggregate award limit will be claimed each year.
- On average, 7.5% of HPTC claims are against tax liability and 92.5% of claims are refunded.
- Based on the refundability levels in Iowa Code section [404A.2\(4\)\(a\)](#), it is assumed that the reduction rates for tax credit refundability are 13.9% in TY 2025, 18.5% in TY 2026, and 23.1% in subsequent tax years.

Fiscal Impact

Increasing the refund rate of the HPTC to 100.0% is estimated to decrease revenue to the General Fund by the following amounts:

- FY 2026 = \$5.0 million
- FY 2027 = \$6.6 million
- FY 2028 and beyond = \$8.3 million

Effective Date

Division I of this Act is effective on July 1, 2025. **Division II** of this Act is effective on June 6, 2025. **Division III** of this Act is effective on July 1, 2025, and applicable to refunds of the HPTC for tax years beginning on or after January 1, 2025.

Enactment Date

This Act was approved by the General Assembly on May 14, 2025, and signed by the Governor on June 6, 2025.

Sources

Iowa Department of Revenue
Legislative Services Agency analysis

[SF 615](#) – Iowa Health and Wellness Plan, Community Engagement Requirements (LSB1296SZ.4)

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Fiscal Note Version – Final Action

[Senate File 615](#) relates to public assistance programs, work requirements for the Iowa Health and Wellness Plan (IHAWP), an Information Technology (IT) Fund, the Public Assistance Modernization Fund, and the Medicaid for Employed People with Disabilities (MEPD) program.

Division I — Iowa Health and Wellness Plan — Work Requirements

Description

Division I of the Act does the following:

- Requires the Department of Health and Human Services (HHS) to request any federal approval necessary to include work requirements as a condition of maintaining eligibility for the IHAWP.
- Provides that the HHS must require as a condition of eligibility for the IHAWP that a member work at least 80 hours each month.
- Directs the HHS to exempt an individual from the work requirements if they meet certain criteria.
- Requires any exemption applied under the IHAWP to be substantially similar to the exemptions applied under other public assistance programs.
- Requires that, upon approval, the HHS must adopt administrative rules to administer work requirements as a condition of eligibility for the IHAWP.
- Permits the HHS to resubmit a request for federal approval of work requirements for the IHAWP if the initial request is denied or withdrawn for any reason.
- Requires the HHS to discontinue the IHAWP, subject to federal approval, if federal law or regulations affecting work requirements for the IHAWP are modified to exclude work requirements as a basis for maintaining eligibility. If the HHS is not allowed to discontinue the IHAWP, the HHS may implement an alternative plan as specified in the Medicaid State plan or a waiver for coverage of the affected population.

Division I of the Act takes effect upon enactment.

Background

The IHAWP, also known as Medicaid expansion, is provided for in Iowa Code chapter [249N](#). The federal [Patient Protection and Affordable Care Act](#), more commonly referred to as the Affordable Care Act (ACA), was signed into law on March 23, 2010, giving states the option to expand their Medicaid programs to all adults ages 19 through 64 with income at or below 133.0% of the federal poverty level (FPL). Through 2013 Iowa Acts, [chapter 138](#) (FY 2014 Health and Human Services Appropriations Act), Iowa expanded Medicaid eligibility. As of

April 2025, there were approximately 183,000 individuals enrolled in the IHAWP. Approximately 162,000 individuals enrolled in the IHAWP are nonmedically exempt.

On January 11, 2018, the Centers for Medicare and Medicaid Services (CMS) announced [new policy guidance](#) to allow states the option to require work or community engagement (WCE) activities among able-bodied, working-age Medicaid beneficiaries through a Medicaid waiver under section [1115](#) of the [Social Security Act](#). The CMS approved these waivers in 13 states. The CMS began withdrawing waiver approvals with work requirements in 2021.

In June 2018, Arkansas became the first state to implement the work requirements waiver. The waiver established a WCE requirement for able-bodied individuals enrolled in Arkansas's Medicaid expansion program. These individuals were required to engage in 80 hours of WCE activities per month, including working, attending education classes, training, and volunteering. The requirements only applied to individuals ages 19 through 49, and the waiver provided for certain exemptions, including if the individual was already exempt from [Supplemental Nutrition Assistance Program](#) (SNAP) work requirements, if the individual had a dependent child in the household, and if the individual was identified as medically frail, among others. Individuals were required to report their WCE or exemption status using an online portal or by phone. Individuals who did not meet the requirements for any three months would lose coverage for the rest of the calendar year. Beginning in June 2018, the plan was phased in, starting with individuals 30 to 49 years of age who were at or below 100.0% of the FPL. In September 2018, approximately 73,000 individuals were subject to the WCE requirements, and by December 2018, approximately 18,000 individuals (ages 30 through 49) were disenrolled from Medicaid expansion coverage due to failure to meet the WCE and reporting requirements. Approximately 1,900 individuals regained coverage in 2019. In January and February of 2019, the remaining individuals were phased in; however, a federal judge halted the program in March 2019. As a result, the disenrollment data from Arkansas is reflective of only the first phase.

The Legislative Services Agency (LSA) published an *Issue Review* on [Medicaid Work Requirements](#) in 2021.

The HHS published a [public notice](#) on April 15, 2025, stating that the HHS will submit a request to amend Iowa's IHAWP Demonstration to the CMS.

Assumptions

- The federal government will accept the request for approval.
- This estimate does not consider what may happen if the federal government denies the request for approval.
- Federal law will remain current through FY 2027.
- There are approximately 183,000 individuals enrolled in the IHAWP, of which approximately 11.0% are medically exempt.
- Only nonmedically exempt individuals will be disenrolled from the program due to the WCE requirements.
- Approximately 162,000 individuals enrolled in the IHAWP are nonmedically exempt.
- Approximately 10.0% of nonmedically exempt individuals may not be subject to the work and reporting requirements due to further exemptions provided in the Act.

- Based on numbers from Arkansas, approximately 24.8% of individuals not exempt may fail to meet the WCE and reporting requirements.
- Based on numbers from Arkansas, approximately 10.5% of individuals who lose IHAWP coverage will regain coverage.
- Approximately 32,000 individuals may lose IHAWP coverage due to the WCE requirements.
- Individuals may begin losing coverage starting in calendar year (CY) 2026.
- Decreases in enrollment will be phased in over one year.
- The State will realize approximately 11.6% and the federal government will realize approximately 88.4% of any savings due to decreased IHAWP enrollment.
- Managed care organization (MCO) capitation rates will remain the same in FY 2026 and FY 2027.
- The HHS is expected to administer the Act with existing resources.

Fiscal Impact

The LSA has not received a response to multiple requests for information from the HHS. However, the LSA estimates that **Division I** of the Act may decrease total State Medicaid expenditures by approximately \$2.5 million in FY 2026 and approximately \$14.4 million in FY 2027.

Division II — Work Rules and Requirements for Public Assistance Programs

Description

Division II of the Act requires the HHS to work with the U.S. Department of Health and Human Services and the [U.S. Department of Agriculture \(USDA\)](#) to align the HHS's work-related administrative rules and requirements for participants of public assistance programs, including but not limited to SNAP.

Background

The SNAP is a federally administered program that supplements the food budget of families by providing benefits to purchase healthy and nutritious food. The SNAP is available to low-income working families, individuals and households, older adults (60 years and older), and people with disabilities. The SNAP is administered by the USDA as part of the Food and Nutrition Service (FNS) through [7 U.S.C. §2011 through 2036d](#) and [7 C.F.R. §271 through 285](#). In the State of Iowa, SNAP is administered by the HHS.

An Employment and Training (E&T) program was added to SNAP in 1985, which required states to provide a form of job search assistance, job search training, work experience, workfare, or other relevant services to SNAP recipients. There are two different sets of work requirements that may apply to a person receiving SNAP benefits: general work requirements and able-bodied adult without dependents (ABAWD) work requirements. General work requirements apply to most persons ages 16 through 59 who can work, meaning that persons need to meet the general work requirements to receive SNAP benefits. General work requirements include registering to work, participating

in SNAP E&T or workfare programs, taking a suitable job if one is offered, and not voluntarily quitting or reducing hours at a job without good reason. The ABAWD work requirements apply to persons who are ages 18 through 54 who can work and have no dependents. Qualifying persons need to meet both general work requirements and an additional ABAWD work requirement to receive SNAP benefits for more than three months in each three-year time period. A person can meet ABAWD requirements by working, participating in a work program, or a combination of the two for at least 80 hours each month. It is also possible to meet ABAWD requirements by participating in workfare.

Assumptions and Fiscal Impact

The LSA has not received a response to multiple requests for information from the HHS. However, the LSA estimates that **Division II** of the Act will have a minimal fiscal impact to the State since work requirements are already imposed for certain SNAP recipients.

Division III — Information Technology

Description

Division III of the Act does the following:

- Establishes an IT Fund under the control of the HHS.
- Requires all moneys in the Fund to be appropriated to the HHS to be used for IT systems and related modernization initiatives.
- Allows any unexpended funds appropriated to the IT Fund to remain available for the succeeding fiscal year and allows any interest or earnings on moneys in the IT Fund to be credited to the IT Fund.
- Repeals the [Public Assistance Modernization Fund](#) and transfers any unobligated and unencumbered moneys in the Fund on June 30, 2025, to the IT Fund.

Background

The Public Assistance Modernization Fund is administered by the HHS and provides funding for the purposes of modernizing IT systems and for other modernization initiatives related to the delivery of public assistance programs in Iowa, including SNAP, Medicaid, the Family Investment Program (FIP), and the Children's Health Insurance Program (CHIP).

Assumptions and Fiscal Impact

As of May 13, 2025, there is approximately \$8.3 million in the Public Assistance Modernization Fund that would be transferred to the IT Fund and appropriated to the HHS for IT systems and modernizations under the Act.

Division IV — Medicaid for Employed People with Disabilities (MEPD) Program

Description

Division IV of the Act provides that for the purposes of determining the amount of an individual's resources under the MEPD program, a maximum of \$10,000 of available resources for an individual and \$21,000 of available resources for a couple must be disregarded.

Background

The MEPD program is a Medicaid coverage group that allows individuals with disabilities to work while continuing to have access to Medicaid. People who are disabled and have earned income can get Medicaid when the individual:

- Is under age 65.
- Is still considered to be disabled based on [Social Security Income \(SSI\)](#) medical criteria for disability.
- Has earned income from employment or self-employment.
- Meets general SSI-related Medicaid eligibility requirements.
- Is not eligible for any other Medicaid coverage group other than the [Qualified Medicare Beneficiary Program](#), the [Specified Low-Income Medicare Beneficiary Program](#), or Medically Needy.
- Has resources less than \$12,000 for an individual and \$13,000 for a couple.
- Has net family income less than 250.0% of the FPL.
- Pays any premium due for the monthly eligibility.

Assumptions and Fiscal Impact

The LSA has not received a response to multiple requests for information from the HHS. Without additional information regarding the changes to the HHS's processes, the LSA cannot estimate any potential fiscal impact for **Division IV** of the Act.

Effective Date

The majority of the Divisions of this Act are effective July 1, 2025. **Division I** of this Act related to work requirements for the IHAWP is effective on June 6, 2025.

Enactment Date

This Act was approved by the General Assembly on May 14, 2025, and signed by the Governor on June 6, 2025.

Sources

KFF
Arkansas Department of Health and Human Services
LSA Analysis
Iowa State Accounting System

[SF 657](#) – Economic Development Programs and Credits (LSB1186SV.3)

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Fiscal Note Version – Final Action

Description

[Senate File 657](#) has 21 divisions and modifies tax credit caps for the Iowa Economic Development Authority (IEDA); creates the Business Incentives for Growth (BIG) Program, the Seed Investor Tax Credit Program, the Iowa Film Production Incentive Program, the Research and Development Tax Credit Program, and the Sustainable Aviation Fuel (SAF) Production Tax Credit Program; eliminates the High Quality Jobs (HQJ) Program, the Investments in Qualifying Business (Angel Investor) Tax Credit, Employer Child Care Tax Credits, and Research Activities Tax Credits; decreases the annual cap to the Endow Iowa Tax Credit Program; modifies biofuel reporting; makes conforming changes; and includes criminal penalties. Divisions of the Act are effective upon enactment and have sunset dates.

Division I — Economic Development Programs — Tax Credit Limits

Description

Division I of the Act:

- Decreases the existing aggregate tax credit limit of \$170.0 million for economic development programs to \$110.0 million for business development tax credit programs beginning in FY 2026.
- Removes the Redevelopment Tax Credit Program and Workforce Housing Tax Incentives Program from the aggregate tax credit limit for business development tax credit programs.
- Specifies a combined \$10.0 million annual tax credit limit for the Innovation Fund Tax Credit and the Seed Investor Tax Credit created in **Division VI** of the Act. Decreases the allocation in FY 2026 by any tax credit from the Angel Investor Tax Credit Program authorized before July 1, 2026.
- Specifies a combined \$10.0 million annual tax credit limit for the Renewable Chemical Production Tax Credit and the SAF Production Tax Credit created in **Division XV** of the Act.
- Specifies a \$40.0 million annual tax credit limit for the Research and Development Tax Credit created in **Division XIV** of the Act.
- Specifies a \$50.0 million annual tax credit limit for the BIG Program created in **Division III** of the Act for FY 2027 and for each fiscal year thereafter. For FY 2026, the aggregate tax credit limit between the BIG Program and the HQJ Program eliminated in **Division IV** of the Act is \$50.0 million.
- Requires the IEDA to submit a report to the Iowa Department of Revenue (IDR) on or before August 15 of each year on the tax credits awarded under each economic development program specified in **Division I** of the Act.

Background

Figure 1 details the current tax credit award maximums authorized under the \$170.0 million economic development aggregate cap and the tax credit award maximums authorized under the \$110.0 million business development aggregate cap in the Act.

Figure 1 — IEDA Tax Credit Award Maximums (in Millions)

Current Iowa Code Section 15.119 Award Caps (\$170.0 Million Aggregate Total)		Business Development Tax Credit Programs Award Caps (\$110.0 Million Aggregate Total)	
Program	Maximum	Program	Maximum
HQJ Program	\$68.0	BIG Program	\$50.0
Workforce Housing Tax Incentives Program	35.0	Innovation Fund and Seed Investor Tax Credits	10.0
Redevelopment Tax Credit	15.0	Renewable Chemical and Sustainable Aviation Fuel Production Tax Credits	10.0
Innovation Fund Tax Credit	8.0	Research and Development Tax Credit	40.0
Angel Investor Tax Credit	2.0		
Renewable Chemical Production Tax Credit	5.0		

The IEDA Board is authorized to award economic development tax credits. **Figure 2** details awards authorized for programs under the current aggregate cap of \$170.0 million, from FY 2021 through FY 2024, as detailed in IEDA Board packets.

Figure 2 — IEDA Tax Credit Awards (FY 2021-FY 2024) (in Millions)

Program	FY 2021	FY 2022	FY 2023	FY 2024
HQJ Program (includes Research Activities Supplemental)	\$ 32.5	\$ 61.1	\$ 36.5	\$ 20.8
Workforce Housing Tax Incentives Program	24.0	42.5	35.0	38.3
Redevelopment Tax Credit	10.0	15.0	18.5	21.0
Innovation/Angel Investor Tax Credits	5.9	6.3	3.8	3.4
Renewable Chemical Production Tax Credit	1.0	1.2	1.0	0.0
Total	\$ 73.4	\$ 126.1	\$ 94.8	\$ 83.5

Assumptions/Fiscal Impact

The changes in tax credit limits in **Division I** of the Act are expected to have fiscal impacts that are analyzed and addressed in other sections of this fiscal analysis. Fiscal impacts are summarized at the end of the **Fiscal Note**.

Division II — Economic Development Programs — Tax Credit Limits — Conforming Changes

Description

Division II of the Act makes conforming changes to the Redevelopment Tax Credit, Renewable Chemical Production Tax Credit, and Workforce Housing Tax Incentives Program. The Division also:

- Specifies the following annual aggregate tax credit limits for the Workforce Housing Tax Incentives Program:
 - FY 2026 = \$39.5 million
 - FY 2027 = \$36.5 million
 - FY 2028 and beyond = \$35.0 million
- Specifies an annual maximum cap of \$15.0 million per fiscal year for the Redevelopment Tax Credit and allows the IEDA to award any irrevocably declined tax credit awards the following fiscal year.
- Modifies the small-city allocation of the Workforce Housing Tax Incentives Program from \$17.5 million annually to 50.0% of the annual aggregate tax credit limit.

Background

2021 Iowa Acts, [chapter 177](#) (Taxation and Other Provisions Act), increased the prior \$25.0 million aggregate tax credit limit for the Workforce Housing Tax Incentives Program to \$40.0 million in FY 2022 and \$35.0 million annually in fiscal years beginning in FY 2023. The Act also increased the local set-aside for the Program from \$10.0 million to \$17.5 million beginning in FY 2023.

Assumptions

- Modification of the small-city allocation of the Workforce Housing Tax Incentives Program has no fiscal impact.
- The full amount of the updated aggregated annual caps will be awarded each year.
- 78.9% of awards will be investment tax credits and 21.1% will be sales and use tax refunds, based on Program history.
- An increase in investment tax credits due to **Division II** of the Act will begin to be awarded for tax year (TY) 2025, 20.0% of which are claimed against the individual income tax, 20.0% against the corporate income tax, and 60.0% against the insurance premium tax.
- The initial fiscal impact for claims under the Act will begin in FY 2026.
- According to the IDR, it is assumed that 75.0% of the investment tax credits will be claimed, with the timing of claims indicated below:
 - Year 0 = 19.1%
 - Year 1 = 35.5%
 - Year 2 = 17.6%
 - Year 3 = 2.6%
 - Year 4 = 0.1%
 - Year 5 = 0.1%

- Year 6 = 0.0%
- According to the IDR, it is assumed that 97.9% of sales and use tax refunds will be claimed, with the timing of claims indicated below:
 - Year 0 = 68.6%
 - Year 1 = 29.3%
 - Year 2 = 0.0%
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that lower Iowa income tax liability also lower the amount of income surtax owed by any taxpayer subject to the surtax. For this **Fiscal Note**, the surtax is assumed to equal 2.5% of State individual income tax liability.

Fiscal Impact

The estimated increase in the maximum amount of the Workforce Housing Tax Credit in **Division II** of the Act is projected to decrease net General Fund revenue by the following amounts:

- FY 2026 = \$1.3 million
- FY 2027 = \$2.0 million
- FY 2028 = \$1.1 million
- FY 2029 = \$0.3 million

The increase in investment tax credits is projected to decrease the statewide local option income surtax for schools by the following amounts:

- FY 2026 = \$3,000
- FY 2027 = \$7,000
- FY 2028 = \$5,000
- FY 2029 = \$2,000

Division III — Business Incentives for Growth (BIG) Program

Description

Division III of the Act:

- Creates the BIG Program administered by the IEDA, with awards not authorized before January 1, 2026, to provide tax incentives to an eligible business that is primarily engaged in advanced manufacturing, bioscience, insurance and finance, or technology and innovation. **Division III** specifies that the business cannot be a data center, a retail business, or a business where a cover charge or membership requirement restricts individuals from entering the business.
- Authorizes an annual award cap for the Program not to exceed \$50.0 million. The current HQJ Program, predecessor to the BIG Program, is eliminated in **Division IV** of the Act.

- Requires any project that will result in elevated water consumption by a business to be accompanied by a water conservation and reduction plan.
- Specifies that the value of a business's tax incentive may be negotiated between the IEDA and the business; however, the aggregate value of the tax incentive for an eligible business cannot exceed 5.0%, if in an urban area, or 7.5%, if in a rural area, of the business's qualifying investment.
- Authorizes the IEDA to collect an application fee determined by the Authority.
- Specifies that an eligible business issued a tax incentive is eligible for a sales and use tax refund. Any contractor or subcontractor making a false report of taxes paid to the IDR is guilty of an aggravated misdemeanor and is liable for payment of the tax and any applicable penalty or interest.
- Allows an eligible business issued a tax incentive to receive an investment tax credit that reduces individual income tax, corporate income tax, franchise tax, or moneys and credits tax liability.
- Requires eligible businesses that receive tax incentives from the Program to annually certify to the IEDA that the businesses comply with any contractual agreement.
- Specifies that the IDR is to remit any tax credit over five years to an eligible business, which may see an increase in tax liability if the business sells, disposes of, razes, or otherwise renders unusable all or part of the land, buildings, or other structures for which the tax credit was claimed.
- Specifies that an eligible business that undergoes a layoff or permanently closes any of its facilities in the State may be subject to a penalty.
- Authorizes the IEDA to prohibit an eligible business receiving a BIG Program tax incentive from receiving other tax incentives or financial assistance granted by the IEDA.
- Authorizes a local government to grant property tax exemptions for a period not to exceed 10 years to eligible businesses granted State tax incentives in the BIG Program.
- Authorizes the establishment of one or more funds within the State Treasury consisting of funds appropriated to the IEDA or otherwise under control of the IEDA to be used for BIG Program financial assistance, if available, or for other authority purposes, including deposits in other authority-controlled funds, providing disaster recovery assistance, or for Program support.
- Specifies that the tax credit is refundable and may be carried forward to the next tax year in place of claiming a refund.
- Authorizes the IEDA to adopt administrative rules to administer the BIG Program.

Division III of the Act is effective on June 6, 2025.

Background

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of between \$855 and \$8,540.

“Data center business” is defined in Iowa Code section [423.3\(95\)](#) as an entity whose business among other businesses is to operate a data center.

“Eligible business” is defined in **Division III** as a business that meets the requirements of Iowa Code section 15.504, as detailed in the Act.

Assumptions

The following assumptions are made for **Division III** of the Act:

- Eligible projects are placed in service before receiving a tax credit award, which will not take place until TY 2028 and will be claimed beginning FY 2029.
- Tax incentives awarded in TY 2028 will be \$15.0 million and increase by \$3.0 million each year thereafter until the aggregate amount authorized is reached.
- According to the IDR, 60.9% of awards will be investment tax credits and 39.1% of awards will be sales and use tax refunds, based on historical data of similar tax credit programs.
- According to the IDR, 100.0% of investment tax credits will be claimed based on the timing of claims below:
 - Year 0 = 0.0%
 - Year 1 = 55.5%
 - Year 2 = 33.8%
 - Year 3 = 5.3%
 - Year 4 = 5.1%
 - Year 5 = 0.4%
- According to the IDR, 59.8% of sales and use tax awards will be claimed based on historical claim data below (totals may not sum due to rounding):
 - Year 0 = 0.0%
 - Year 1 = 2.8%
 - Year 2 = 13.3%
 - Year 3 = 14.4%
 - Year 4 = 6.4%
 - Year 5 = 5.1%
 - Year 6 = 7.2%
 - Year 7 = 9.5%
 - Year 8 = 1.3%
- Approximately 15.6% of total tax credits will go unclaimed.
- The tax credit is refundable and will have no impact on the [income surtax for schools](#).
- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A delay of six months is assumed from the effective date of this Act to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Correctional Impact

Division III of the Act creates a new criminal offense, and while data is not available, a correctional impact is not expected, according to Department of Management (DOM) Criminal Justice Planning. **Figure 3** shows estimates for sentencing to State prison, parole, probation, or Community-Based Corrections (CBC) residential facilities; LOS in months under those supervisions; and supervision marginal costs per day for aggravated misdemeanors. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 13, 2025, for information related to the correctional system.

Figure 3 — Sentencing Estimate and LOS

Conviction Offense Class	Percent Ordered to State Prison	FY 2024 Avg LOS in Prison (All Releases)	Marginal Cost Per Prison Day	Percent Ordered to Probation	FY24 Field Avg LOS on Probation	Avg Cost Per Day on Probation	Marginal Cost Per Day CBC	Marginal Cost Per Day Jail	FY24 Field Avg LOS on Parole	Marginal Cost Per Day Parole
Aggravated Misdemeanor Persons	48.9%	9.5	\$24.51	58.9%	26.0	\$7.68	\$18.37	\$50.00	22.5	\$7.68

Minority Impact

Division III of the Act creates a new criminal offense. As a result, DOM Criminal Justice Planning cannot use existing data to estimate the minority impact of the Act; however, an impact is not expected. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 13, 2025, for information related to minorities in the criminal justice system.

Fiscal Impact

Division III of the Act creating the BIG Program is estimated to decrease General Fund revenues by the following amounts:

- FY 2029 = \$5.2 million
- FY 2030 = \$10.2 million
- FY 2031 = \$13.3 million
- FY 2032 = \$16.2 million
- FY 2033 = \$18.8 million

The administrative fee collected by the IEDA cannot be estimated due to a lack of information. The fiscal impact of the property tax exemption would be borne by local government authorities and is not included in this fiscal analysis due to lack of information.

Division IV — Elimination of the High Quality Jobs (HQJ) Program

Description

Division IV of the Act eliminates the HQJ Program, effective December 31, 2025. The Act allows any agreement on or before December 31, 2025, by a business and the IEDA related to the Program to remain valid and to continue based on the contractual

agreement between the business and the authority. **Division IV** also preserves a taxpayers' right to redeem a tax incentive issued, awarded, or allowed before December 31, 2025.

Division IV of the Act takes effect December 31, 2025.

Background

The HQJ Program, formerly the New Jobs and Income Program, was established in 1994 Iowa Acts, [chapter 1008](#) (Quality Jobs Enterprise Zones — New Jobs and Income Program Act). The IDR reported in the March 2025 [Contingent Liabilities Report](#) that tax credit claims totaled approximately \$17.6 million in FY 2022, \$10.4 million in FY 2023, and \$27.1 million in FY 2024. A Supplemental Research Activities Tax Credit is also available to taxpayers approved by the IEDA under the HQJ Program. Tax credit claims from the Supplemental Research Activities Tax Credit totaled approximately \$67,000 in FY 2022, \$2.4 million in FY 2023, and \$3.6 million in FY 2024.

Assumptions

- High Quality Jobs Program awards beginning in TY 2025 (FY 2026) that will no longer be awarded are estimated at \$36.3 million, increasing annually by 2.3% inflation.
- Awards are made to developers at 50.0% of the current estimated amount during FY 2026 due to the elimination of the Program as of December 31, 2025.
- The tax credit redemption pattern is assumed to be:
 - Year 1 = 10.0%
 - Year 2 = 35.0%
 - Years 3-5 = 6.0% per year
 - Expiring without redemption = 37.0%
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that increase Iowa income tax liability also increase the amount of income surtax owed by any taxpayer subject to the surtax. For this projection, the surtax is assumed to equal 2.5% of State individual income tax liability. Approximately 20.0% of HQJ investment tax credit claims are expected to be claimed against the individual income tax.

Fiscal Impact

Division IV of the Act eliminating the HQJ Program is estimated to increase General Fund revenues by the following amounts:

- FY 2027 = \$1.8 million
- FY 2028 = \$10.1 million
- FY 2029 = \$17.9 million
- FY 2030 = \$20.5 million
- FY 2031 = \$23.2 million
- FY 2032 = \$24.8 million
- FY 2033 = \$25.4 million

Division IV of the Act is also expected to increase the income surtax for schools by the following amounts:

- FY 2027 = \$7,000
 - FY 2028 = \$40,000
 - FY 2029 = \$72,000
 - FY 2030 = \$82,000
 - FY 2031 = \$93,000
 - FY 2032 = \$99,000
 - FY 2033 = \$102,000
-

Division V — High Quality Jobs Program — Conforming Changes

Description

Division V of the Act:

- Makes conforming changes to the Iowa Code due to the elimination of the HQJ Program.
- Authorizes counties to initiate action to recover the value of property taxes not collected if an investor fails to comply with requirements for the Redevelopment Tax Credit Program.

Division V of the Act takes effect December 31, 2025.

Background

Iowa Code section [15.332](#) allows HQJ Program applicants to access a property tax exemption not to exceed a period of 20 years, if approved by a local government, as one of the financial incentives associated with the program.

Fiscal Impact

Division V of the Act has no fiscal impact on the State.

Division VI — Seed Investor Tax Credit Program and Innovation Fund Investment Tax Credits

Description

Division VI of the Act:

- Creates the Seed Investor Tax Credit (Seed) Program that allows a tax credit, for tax years beginning on or after January 1, 2025, against the individual income tax, corporate income tax, franchise tax, insurance premium tax, and the moneys and credits tax for a portion of a taxpayer's investment in a qualifying business.

- Specifies the tax credit amount to equal 20.0% of the taxpayer's equity investment if the qualifying business is in an urban area at the time of the investment and 35.0% of the taxpayer's equity investment if the qualifying business is in a rural area at the time of the investment.
- Sets the maximum amount of tax credits issued per fiscal year to a corporation or a person and the person's spouse or dependent to \$100,000.
- Specifies that the maximum amount of tax credits issued per fiscal year for equity investments in any one qualifying business is not to exceed \$500,000.
- Requires the IEDA to include as part of the annual report to the IEDA Board and the General Assembly a listing of eligible qualifying businesses for the Seed Investor Tax Credit, the number of tax credit certificates, and the value of tax credits issued by the authority in each fiscal year.
- Modifies existing Innovation Fund Tax Credit program binding investments and commitments from a minimum of \$15.0 million to a minimum of \$3.0 million.
- Specifies that the Seed Investor Tax Credit is not transferable and cannot be carried back to a prior tax year.
- Specifies that the Seed Investor Tax Credit is refundable or may be carried forward to the next tax year.
- Requires the IEDA to develop administrative rules to administer the Seed Program.

Background

The Act requires any business that qualifies for the Seed Program to establish that its owners, directors, officers, and employees have appropriate experience to manage the business. Establishing experience may include participation in an entrepreneurial assistance program, defined in **Division VI** of the Act as including the Entrepreneur Investment Awards Program under Iowa Code section [15E.362](#), receiving services from a service provider under Iowa Code section [15.411\(1\)](#), or the program administered under Iowa Code section [15.411\(2\)](#).

Assumptions

- Demand for the Seed Investor Tax Credit Program would reach \$4.0 million in awards annually beginning in FY 2026, based on IEDA expectations and oversubscription of the Angel Investor Tax Credit Program.
- The redemption rate for the Seed Investor Tax Credit would be approximately 85.0% based on historical IDR data for the Angel Investor Tax Credit Program and IEDA expectations.
- Year-to-year claim percentages for the Seed Investor Tax Credit are:
 - Year 1 = 65.3%
 - Year 2 = 13.4%
 - Year 3 = 5.1%
 - Year 4 = 2.2%
 - Year 5 = 1.0%
- There is no change in the award allocation to the Innovation Fund Tax Credit.
- The tax credit is refundable and will have no impact on the [income surtax for schools](#).

Fiscal Impact

Division VI of the Act creating the Seed Investor Tax Credit Program is estimated to decrease General Fund revenues by the following amounts:

- FY 2026 = \$2.6 million
 - FY 2027 = \$3.1 million
 - FY 2028 = \$3.4 million
 - FY 2029 = \$3.4 million
 - FY 2030 = \$3.5 million
 - FY 2031 = \$3.5 million
 - FY 2032 = \$3.5 million
-

Division VII — Elimination of Investments in Qualifying Business Tax Credit Program

Description

Division VII of the Act eliminates the Investments in Qualifying Business (Angel Investor) Tax Credit Program, effective June 30, 2025. The Act allows any tax credit issued on or before June 30, 2026, by the IEDA related to the Program to remain valid according to the terms of any contractual agreement between the business and the Authority.

Background

The Angel Investor Tax Credit Program was established in 1992 Iowa Acts, [chapter 1006](#) (Investment Tax Credits — Qualifying Businesses — Community-Based Seed Capital Funds Act). The IDR reported in the March 2025 [Contingent Liabilities Report](#) that tax credit claims totaled approximately \$1.1 million in FY 2022, \$1.5 million in FY 2023, and \$1.3 million in FY 2024.

Assumptions

- Per the IDR, tax credit awards issued prior to June 30, 2025, remain valid and tax credit certificates awarded in FY 2026 are not affected due to the transition language in **Division VII** of the Act. The first fiscal year of claims affected by the Act is FY 2027.
- A decrease in annual claims beginning in FY 2027 due to **Division VII** of the Act repealing the Program is based on the maximum cap allowance of \$2.0 million in awards.
- The redemption rate for the Angel Investor Tax Credit is approximately 85.0% based on historical data.
- Year-to-year claim percentages for the Angel Investor Tax Credit are:
 - Year 1 = 65.3%
 - Year 2 = 13.4%
 - Year 3 = 5.1%
 - Year 4 = 2.2%
 - Year 5 = 1.0%

- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that increase Iowa income tax liability also increase the amount of income surtax owed by any taxpayer subject to the surtax. For this projection, the surtax is assumed to equal 2.5% of State individual income tax liability. Approximately 89.4% of Angel Investor Tax Credit claims are expected to be claimed against the individual income tax.

Fiscal Impact

Division VII of the Act eliminating the Angel Investor Tax Credit Program is estimated to increase General Fund revenues by the following amounts:

- FY 2027 = \$1.3 million
- FY 2028 = \$1.6 million
- FY 2029 = \$1.7 million
- FY 2030 = \$1.7 million
- FY 2031 = \$1.7 million

Division VII of the Act is also expected to increase the income surtax for schools by the following amounts:

- FY 2027 = \$29,000
- FY 2028 = \$35,000
- FY 2029 = \$37,000
- FY 2030 = \$38,000
- FY 2031 = \$39,000

Division VIII — Investment in Qualifying Business Tax Credit Program — Conforming Changes

Description

Division VIII of the Act makes conforming changes due to the elimination of the Angel Investor Tax Credit Program. **Division VIII** also preserves a taxpayer's right to redeem a tax incentive issued, awarded, or allowed before July 1, 2026.

Fiscal Impact

Division VIII of the Act has no fiscal impact.

Division IX — Iowa Film Production Incentive Program and Fund

Description

Division IX of the Act establishes the Iowa Film Production Incentive Program and the Iowa Film Production Incentive Fund under the IEDA. The Program provides rebates to film production facilities for certain expenditures related to film production. No more than \$4.0 million in rebates may be claimed under the Program. The IEDA may use up to 5.0% of moneys in the Fund for administrative costs. The IEDA is required to adopt administrative rules to administer the Program. The Program and Fund are repealed July 1, 2027.

Assumptions/Fiscal Impact

The Iowa Film Production Incentive Program is not funded in the Act and, therefore, **Division IX** of the Act is estimated to have no fiscal impact. However, 2025 Iowa Acts, [Senate File 660](#) (Sports Wagering Receipts Act), includes \$4.0 million appropriated from the Sports Wagering Receipts Fund to the Iowa Film Production Incentive Fund.

Division X — Employer Child Care Tax Credit Repeal

Description

Division X of the Act repeals the Employer Child Care Tax Credit commencing with tax years on or after January 1, 2026. The tax credit is fully repealed from the Iowa Code on January 1, 2031, due to the taxpayer's ability to carry forward the tax credit for up to five years.

Background

The Employer Child Care Tax Credit was established in 2022 Iowa Acts, [chapter 1148](#) (FY 2023 Economic Development Appropriations Act). The tax credit against the individual income tax, corporate income tax, franchise tax, gross premiums tax, or moneys and credits tax was authorized with an annual award maximum of \$2.0 million. The IDR reported in the March 2025 [Contingent Liabilities Report](#) that no tax credit awards have been made by the IEDA and no tax credit claims have been made by taxpayers through FY 2024.

Assumptions

- At least one child care facility will receive an award that will result in claims beginning in FY 2026.
- According to the IDR's March 2025 Contingent Liabilities Report, claims are estimated to reach \$800,000 through FY 2029.

Fiscal Impact

Division X of the Act eliminating the Employer Child Care Tax Credit will increase General Fund revenue by \$740,000 in FY 2026 and \$800,000 beginning in FY 2027.

Division XI — Assistive Device Tax Credit Repeal

Description

Division XI of the Act repeals the Assistive Device Tax Credit against the corporate income tax commencing with tax years beginning on or after January 1, 2025. The tax credit is fully repealed from the Iowa Code on January 1, 2031. **Division XI** also removes the departmental review of the tax credit that is scheduled to take place every five years. **Division XI** is retroactively effective for tax years beginning on or after January 1, 2025.

Background

The Assistive Device Tax Credit was established in 2000 Iowa Acts, [chapter 1194](#) (Income and Property Taxes — Credits, Deductions, and Exemptions Act), to award taxpayers who are small business owners purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability a tax credit equal to 50.0% of the first \$5,000 used to purchase an assistive device. The IDR reported in the March 2025 [Contingent Liabilities Report](#) that no tax credit awards have been made by the IEDA since FY 2010 and no tax credit claims have been made by taxpayers through FY 2024.

Assumptions/Fiscal Impact

Division XI of the Act repealing the Assistive Device Tax Credit has no expected fiscal impact.

Division XII — Endow Iowa Tax Credit

Description

Division XII of the Act decreases the annual aggregate maximum of the Endow Iowa Tax Credit against the individual income tax, corporate income tax, franchise tax, insurance premium tax, and moneys and credits tax from \$6.0 million per tax year to \$3.5 million per tax year and the individual maximum amount of tax credits from \$100,000 to \$50,000. **Division XII** is effective January 1, 2026, for tax years beginning on or after that date.

Background

The Endow Iowa Tax Credit was established in 2003 Iowa Acts (1st Extraordinary 2003 Session), [chapter 2](#) (Miscellaneous Appropriations Act), to award taxpayers who make donations to a qualified community foundation or affiliate with a tax credit equal to 25.0% of the charitable donation with a \$100,000 individual maximum and a \$6.0 million annual aggregate maximum. The IDR reported in the March 2025 [Contingent Liabilities Report](#) that tax credit claims totaled approximately \$3.9 million in FY 2022, \$4.5 million in FY 2023, and \$5.9 million in FY 2024.

Assumptions

- A maximum total of \$3.5 million is estimated to be awarded by the Endow Iowa Tax Credit annually beginning in TY 2026.
- According to the IDR, it is assumed that 81.9% of the tax credits will be claimed, with the timing of claims indicated below:
 - Year 0 = 0.2%
 - Year 1 = 38.1%
 - Year 2 = 28.6%
 - Year 3 = 6.9%
 - Year 4 = 3.7%
 - Year 5 = 1.6%
 - Year 6 = 2.4%
 - Year 7 = 0.4%
- The initial fiscal impact for claims under the Act will occur in TY 2026 and FY 2027.
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability. Law changes that increase Iowa income tax liability also increase the amount of income surtax owed by any taxpayer subject to the surtax. For this projection, the surtax is assumed to equal 2.5% of State individual income tax liability.

Fiscal Impact

Division XII of the Act decreasing the aggregate maximum of the Endow Iowa Tax Credit is estimated to increase General Fund revenues by the following amounts:

- FY 2027 = \$1.0 million
- FY 2028 = \$1.7 million
- FY 2029 = \$1.8 million
- FY 2030 = \$1.9 million
- FY 2031 = \$2.0 million

Division XII of the Act is also expected to increase the income surtax for schools by the following amounts:

- FY 2027 = \$23,000
- FY 2028 = \$40,000
- FY 2029 = \$44,000
- FY 2030 = \$47,000
- FY 2031 = \$48,000

Division XIII — Research Activities Tax Credit Repeal

Description

Division XIII of the Act repeals the Research Activities Tax Credit against the individual income tax and corporate income tax commencing with tax years beginning on or after January 1, 2026. The tax credit is fully repealed from Iowa Code on January 1, 2027, due to the taxpayer's ability to carry forward any overpayment in tax liability to the following year.

Background

The Research Activities Tax Credit is a refundable credit established in 1983 Iowa Acts, [chapter 179](#) (Federal Tax Code Coordination Act), to qualifying taxpayers conducting research for manufacturing, life sciences, agriscience, software engineering, or the aviation and aerospace industries. The program allows a tax credit of up to 6.5% of research expenses, and there is no annual cap to the credit, individually or in the aggregate. The IDR reported in the March 2025 [Contingent Liabilities Report](#) that tax credit claims from the Research Activities Tax Credit totaled approximately \$27.2 million in FY 2022, \$36.1 million in FY 2023, and \$77.6 million in FY 2024.

Assumptions

- Approximately 75.0% of claims are against the corporate income tax, and 25.0% of claims are against the individual income tax.
- Tax credits not awarded due to **Division XIII** of the Act are estimated at \$45.0 million in TY 2026 and \$41.9 million in TY 2027 and would increase at a rate of 2.9% based on historical claim data.
- The initial fiscal impact of **Division XIII** of the Act is FY 2027.
- According to the IDR, 94.7% of the tax credits would be claimed under current law, with the timing of claims indicated below:
 - Year 0 = 0.0%
 - Year 1 = 10.1%
 - Year 2 = 50.4%
 - Year 3 = 28.8%
 - Year 4 = 3.0%
 - Year 5 = 2.4%
- The tax credit is refundable and will have no impact on the [income surtax for schools](#).

Fiscal Impact

Division XIII of the Act repealing the Research Activities Tax Credit is estimated to increase General Fund revenues by the following amounts:

- FY 2027 = \$4.5 million
- FY 2028 = \$26.9 million
- FY 2029 = \$38.4 million
- FY 2030 = \$39.6 million

- FY 2031 = \$41.7 million
 - FY 2032 = \$42.7 million
-

Division XIV — Research and Development Tax Credit Program

Description

Division XIV of the Act:

- Creates a Research and Development Tax Credit Program administered by the IEDA to provide tax credits to eligible businesses that incur qualified research expenses in Iowa as defined under [26 U.S.C. §41](#).
- Specifies that the Program is available against the individual income tax and corporate income tax for tax years beginning on or after January 1, 2026.
- Specifies that the tax credit is available to businesses primarily engaged in advanced manufacturing, bioscience, insurance and finance, and technology innovation and actively engaged in qualified research and development, as defined in the Act. The sectors available for the credit within these businesses include second-generation food innovation, food ingredients and supplements, crop protection, hybrid seed technologies, diagnostic analytics and immunotherapies, chip technologies and microelectronics, medical equipment and supplies, software and technology, aerospace, pharmaceuticals, consumer products, and other sectors as determined by the IEDA in administrative rule.
- Specifies certain business sectors that are not eligible for the tax credit, including agriculture producers, contractors, finance companies, retailers, wholesalers, transportation companies, ethanol biorefineries, agricultural cooperative associations, real estate companies, collection agencies, accountants, architects, and publishers.
- Allows a qualified business to claim the tax credit for up to five years, with recertification available upon application to the IEDA.
- Requires a qualified business to apply to the IEDA each year during the five-year period the business is qualified for the tax credit to seek review by a certified public accountant for eligible research expenditures.
- Allows the IEDA to approve a tax credit certificate issued to a qualified business up to 3.5% of the qualified business's eligible expenditures. The tax credit is required to be claimed in the tax year immediately following the tax year in which the eligible expenditures were incurred.
- Specifies that the tax credit is refundable.
- Specifies that the tax credit is not transferable.
- Specifies that the tax credit may be carried forward to the next tax year.
- Sets the maximum amount of tax credits the IEDA may issue in a fiscal year at \$40.0 million, as specified in **Division I** of the Act.
- Requires a qualified business claiming the tax credit to file an annual report with the IEDA.
- Requires the IEDA to include as part of the annual report to the IEDA Board and the General Assembly a report of activities conducted by the IEDA related to the Program.

Division XIV of the Act takes effect upon enactment.

Background

Division XIV of the Act defines “eligible expenditures” as qualified research expenses under 26 U.S.C. §41 to the extent the expenditures occurred in Iowa. Qualified research expenses in 26 U.S.C. §41(b) are defined as the sum of in-house research expenses and contract research expenses that are paid or incurred by the taxpayer during the taxable year in carrying on any trade or business of the taxpayer. The federal research tax credit specified in 26 U.S.C. §41(a) is an amount equal to the sum of 20.0% of the excess of qualified research expenses for the taxable year over the base amount plus 20.0% of basic research payments plus 20.0% of the amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the taxable year (including as contributions) to an energy research consortium for energy research.

Assumptions

- Approximately \$10.0 million in tax credits will be awarded for eligible expenditures in TY 2026 and \$40.0 million in tax credits will be awarded for eligible expenditures in each tax year beginning in TY 2027.
- The initial fiscal impact for claims due to the Act will occur in FY 2027.
- According to the IDR, 100.0% of Research and Development Tax Credits will be claimed based on the timing of claims below:
 - Year 0 = 0.0%
 - Year 1 = 55.5%
 - Year 2 = 33.8%
 - Year 3 = 5.3%
 - Year 4 = 5.1%
 - Year 5 = 0.4%
- The tax credit is refundable and will have no impact on the [income surtax for schools](#).

Fiscal Impact

Division XIV of the Act creating the Research and Development Tax Credit is estimated to decrease General Fund revenues by the following amounts:

- FY 2027 = \$5.6 million
- FY 2028 = \$25.6 million
- FY 2029 = \$36.3 million
- FY 2030 = \$38.3 million
- FY 2031 = \$39.9 million

Division XV — Sustainable Aviation Fuel Production Tax Credit

Description

Division XV of the Act:

- Creates an SAF Tax Credit Program and allows tax credit claims against the individual income tax or corporate income tax.
- Defines “sustainable aviation fuel” or “SAF” as the portion of a liquid fuel derived from feedstock not including palm fatty acid distillates and that achieves at least a 50.0% life cycle greenhouse gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel.
- Defines “feedstock” as any organic matter processed or refined in the State suitable for SAF production without further enhancement, which includes ethanol, corn oil, soybean oil, animal fats, used cooking oil, and algae.
- Defines “eligible taxpayer” as a business engaged in the manufacturing of SAF from feedstock.
- Specifies that the tax credit is available for SAF produced in Iowa from January 1, 2026, through December 31, 2035.
- Requires an eligible business to apply to the IEDA for the tax credit and enter into an agreement with the authority for successful completion of all requirements of the program.
- Specifies that the SAF Tax Credit is equal to \$0.25 multiplied by the number of gallons of SAF produced in Iowa from feedstock.
- Specifies that the tax credit is refundable and may be carried over to the following tax year.
- Specifies that the tax credit is not transferable.
- Sets the maximum amount of SAF tax credits the authority may issue each fiscal year, in combination with the Chemical Production Tax Credit, at \$10.0 million, per **Division I** of the Act.
- Sets the maximum amount of SAF tax credits the Authority may issue to an eligible business in a calendar year at \$1.0 million.
- Limits the IEDA to the issuance of five tax credit certificates to an eligible business under the program.
- Requires the IEDA to include as part of the annual report to the IEDA Board and the General Assembly a summary of activities conducted by the IEDA in cooperation with the IDR related to the program for the prior fiscal year, including the aggregate number of gallons of SAF produced for each tax credit recipient, the identity of the eligible business, the amount of the tax credit issued, and the total amount of all SAF tax credits claimed during each fiscal year.
- Prohibits the IEDA from issuing any tax credits before July 1, 2026, and prohibits taxpayers from making tax credit claims prior to September 1, 2026.
- Repeals the Program as of January 1, 2037.

Division XV of the Act is effective upon enactment and applies retroactively to January 1, 2025, for tax years beginning on or after that date.

Background

The [Inflation Reduction Act \(IRA\) of 2022](#) created a federal [SAF tax credit](#) that was available for calendar years 2023 and 2024 at \$1.25 per gallon of SAF in a qualified mixture, with a potential supplemental credit for lower greenhouse gas emissions, up to a maximum tax credit of \$1.75 per gallon. Beginning in calendar year 2025, SAF producers will transition to the [Clean Fuel Production Credit \(CFPC\)](#) created in the IRA for fuel sold before January 1, 2028. As of May 2025, there are no SAF producers in Iowa.

Assumptions

- One facility producing SAF will become operational in 2028, and a second facility will not become operational until 2030, each owned by different taxpayers.
- According to the IDR, it is assumed that 100.0% of the tax credits will be claimed, with the timing of claims indicated below:
 - Year 0 = 0.0%
 - Year 1 = 55.5%
 - Year 2 = 33.8%
 - Year 3 = 5.3%
 - Year 4 = 5.1%
 - Year 5 = 0.4%
- At least four million gallons of SAF per facility per year will be produced, enough to reach the maximum cap of \$1.0 million in credits annually per eligible business.
- Tax credits will begin to be awarded in 2028 and will be claimed against individual income and corporate income taxes beginning in TY 2028.
- The initial fiscal impact for claims under the Act will occur in FY 2029.
- The [income surtax for schools](#) is a local option tax that is based on a taxpayer's Iowa income tax liability less the amount of any nonrefundable tax credits. The SAF Production Tax Credit is refundable and therefore would not affect the income surtax.

Fiscal Impact

Division XV of the Act creating the SAF Production Tax Credit is estimated to decrease General Fund revenues by the following amounts:

- FY 2029 = \$0.6 million
- FY 2030 = \$0.9 million
- FY 2031 = \$1.5 million
- FY 2032 = \$1.9 million
- FY 2033 = \$1.9 million

Division XVI — Major Economic Growth Attraction Program

Description

Division XVI of the Act requires a sales and use tax refund under the Major Economic Growth Attraction (MEGA) Program to be remitted as soon as practicable after an audit instead of remitted equally over five tax years. A county that is awarded a property tax exemption under the MEGA Program may take action to recover the taxes not collected if a business does not comply with Program requirements.

Background

The MEGA Program, created in 2024 Iowa Acts, [Senate File 574](#) (Economic Development Authority, Major Economic Growth Attraction Program Act), during the 2024 Legislative Session, provides tax incentives to eligible businesses that invest at least \$1.000 Action on a project in Iowa. The IEDA may issue qualifying investment tax credits, sales and use tax refunds, and withholding tax credits as part of the MEGA Program.

Fiscal Impact

Division XVI of the Act is estimated to have no fiscal impact.

Division XVII — Mass Layoffs and Business Closures

Description

Division XVII of the Act allows the IEDA to reduce or eliminate some or all of a tax incentive or financial assistance awarded by the IEDA to an entity that experiences a business closure or a mass layoff where a notice is required under Iowa Code chapter [84C](#).

Background

Iowa Code chapter 84C details notice requirements from employers to Iowa Workforce Development (IWD) in the event of mass layoffs or business closures.

Fiscal Impact

Division XVII of the Act cannot be estimated due to a lack of information.

Division XVIII — Conforming Changes

Description

Division XVIII of the Act makes conforming changes to 2025 Iowa Acts, [Senate File 619](#) (Disaster Recovery Housing Assistance Act), and 2025 Iowa Acts, [House File 975](#) (Economic Development Authority and Finance Authority, Programs and Duties Act), if enacted.

Fiscal Impact

Division XVIII of the Act is estimated to have no fiscal impact.

Division XIX — Research Activities Tax Credit — Agriscience

Description

Division XIX of the Act includes agriscience research as an eligible activity for claiming the Research Activities Tax Credit (RAC) and defines “agriscience research.”

Division XIX applies retroactively to tax years beginning on or after January 1, 2017.

Background

2018 Iowa Acts, [chapter 1161](#) (Income and Sales Tax Modification Act), made changes to the RAC that restricted the types of industries eligible for the credit, which were retroactively effective to TY 2017. Iowa Code chapter [422](#) details the RAC, which is available to claim against the individual income tax and corporate income tax for qualified research activities in the State. There is currently an exclusion from the RAC for persons engaged in agricultural production as defined in Iowa Code section [423.1](#).

Assumptions

- The Act makes no provision to allow tax returns to be amended beyond the standard three-year amendment period in current law, according to the IDR. Therefore, it is assumed that tax years prior to TY 2021 would not have amendments filed.
- It is assumed that \$2.0 million in pending tax credit appeals filed with the IDR is included in this fiscal analysis, which includes pending appeals from tax years beginning in TY 2017.
- The initial fiscal impact of the Act will occur in FY 2025 due to amended tax returns.
- The tax credit is fully refundable for tax years beginning prior to January 1, 2023.
- According to the IDR, aggregate tax credit claims will increase by \$1.1 million for TY 2021 based on appeals filed with the IDR.
- Tax credits due to the Act will increase at a rate of 2.9% based on historical claim data.

- For tax years beginning on or after January 1, 2023, any refundable portion of the tax credit is limited to a percentage of the excess of the tax liability as follows: 90.0% for tax years beginning in 2023, 80.0% for tax years beginning in 2024, 70.0% for tax years beginning in 2025, 60.0% for tax years beginning in 2026, and 50.0% for tax years beginning in 2027 or later.
- The tax credit is refundable and will have no impact on the [income surtax for schools](#).
- According to the IDR, it is assumed that 96.5% of the tax credits will be claimed, with the timing of claims indicated below:
 - Year 0 = 0.0%
 - Year 1 = 9.9%
 - Year 2 = 46.0%
 - Year 3 = 29.5%
 - Year 4 = 3.3%
 - Year 5 = 4.1%
 - Year 6 = 3.7%

Fiscal Impact

The proposed expansion of the RAC in **Division XIX** of the Act is projected to decrease net General Fund revenue by the following amounts each fiscal year:

- FY 2025 = \$2.8 million
- FY 2026 = \$1.2 million
- FY 2027 = \$1.6 million
- FY 2028 = \$1.1 million
- FY 2029 = \$0.7 million
- FY 2030 = \$0.7 million

Division XX — Motor Fuel Taxes — Reporting

Description

Division XX of the Act allows the Director of the IDR to amend the distribution percentages for ethanol blended gasoline classified as E-15 and biodiesel blended fuel classified as B-20 or higher due to a mistake or if there is a late report filed by a retailer dealer. The Act also allows the IDR to amend its annual reporting due to a mistake or late report from a retail dealer.

Fiscal Impact

Division XX of the Act has no fiscal impact.

Division XXI — E-15 Promotion Tax Credit

Description

Division XXI of the Act extends the tax credit for E-15 gasoline from TY 2025 through TY 2027 and extends the ability of a retail dealer to claim the E-85 tax credit to December 31, 2027, even if the retail dealer claims an E-15 Plus Gasoline Promotion Tax Credit during the same tax year. The Act also ensures the availability of the E-15 Plus Gasoline Promotion Tax Credit for an entire tax year for a retail dealer whose tax year does not align with the repeal date of the applicable tax credit.

Background

The E-15 Plus Gasoline Promotion Tax Credit was authorized in 2011 Iowa Acts, [chapter 113](#) (Motor Fuels — Regulation, Dispensing, and Tax Credits and Refunds Act), and is available to retail dealers that sell E-15 gasoline (defined as 15.0% ethanol content) or higher, but not classified as E-85 gasoline. The credit is equal to \$0.09 per gallon refundable against the individual income tax and corporate income tax, and total claims were \$3.1 million in FY 2024, according to the IDR's [March 2025 Contingent Liabilities Report](#). More information is available in the *Fiscal Topic* [Tax Credit: E-15 Gasoline Promotion Tax Credit](#).

In the Act, 2011 Iowa Acts, chapter 113 (Motor Fuels — Regulation, Dispensing, and Tax Credits and Refunds Act), as amended by 2016 Iowa Acts, [chapter 1106](#) (Renewable Fuel Tax Credits and Refunds Act), and 2022 Iowa Acts, [chapter 1067](#) (Renewable Fuels Act), would allow full-year credit availability for retail dealers whose tax year does not align with the repeal date of an applicable tax credit for biofuels.

Assumptions

- According to the IDR, the E-15 tax credit uses the [2023 Motor Fuel Gallons Annual Report](#) as base year data, while rate of growth is based on information from the U.S. Energy Information Administration (EIA).
- According to the IDR, the timing of tax credit claims for the E-15 Plus Gasoline Promotion Tax Credit is indicated below:
 - Year 0 = 0.0%
 - Year 1 = 9.6%
 - Year 2 = 85.5%
 - Year 3 = 4.2%
 - Year 4 = 0.7%
- According to the IDR, tax credit awards for tax years affected by the Act are indicated below:
 - TY 2026 = \$18.0 million
 - TY 2027 = \$18.7 million
- Due to the E-15 Plus Gasoline Promotion Tax Credit being refundable, there is no fiscal impact from the [income surtax for schools](#).

Fiscal Impact

The extension of the E-15 Plus Gasoline Promotion Tax Credit due to **Division XXI** of the Act is estimated to decrease State General Fund revenue by the amounts detailed below:

- FY 2027 = \$1.7 million
- FY 2028 = \$17.2 million
- FY 2029 = \$16.7 million
- FY 2030 = \$0.9 million
- FY 2031 = \$0.1 million

Fiscal Impact

The Act is estimated to decrease General Fund revenue annually through FY 2029 and increase General Fund revenue beginning in FY 2030 by the amounts in **Figure 4**.

Figure 4 — General Fund Revenue Impact (in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division II — Economic Development Programs — Tax Credit Limits — Conforming Changes	\$ 0.0	\$ -1.3	\$ -2.0	\$ -1.1	\$ -0.3	\$ 0.0	\$ 0.0
Division III — Business Incentives for Growth Program	0.0	0.0	0.0	0.0	-5.2	-10.2	-13.3
<u>Division IV — Elimination of the High Quality Jobs Program</u>	<u>0.0</u>	<u>0.0</u>	<u>1.8</u>	<u>10.1</u>	<u>17.9</u>	<u>20.5</u>	<u>23.2</u>
Division VI — Seed Investor Tax Credit Program and Innovation Fund Investment Tax Credits	0.0	-2.6	-3.1	-3.4	-3.4	-3.5	-3.5
Division VII — Elimination of Investments in Qualifying Business Tax Credit Program	0.0	0.0	1.3	1.6	1.7	1.7	1.7
<u>Division X — Employer Child Care Tax Credit Repeal</u>	<u>0.0</u>	<u>0.7</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>
Division XII — Endow Iowa Tax Credit	0.0	0.0	1.0	1.7	1.8	1.9	2.0
Division XIII — Research Activities Tax Credit Repeal	0.0	0.0	4.5	26.9	38.4	39.6	41.7
<u>Division XIV — Research and Development Tax Credit Program</u>	<u>0.0</u>	<u>0.0</u>	<u>-5.6</u>	<u>-25.6</u>	<u>-36.3</u>	<u>-38.3</u>	<u>-39.9</u>
Division XV — Sustainable Aviation Fuel Production Tax Credit	0.0	0.0	0.0	0.0	-0.6	-0.9	-1.5
Division XIX — Research Activities Tax Credit — Agriscience	-2.8	-1.2	-1.6	-1.1	-0.7	-0.7	-0.7
Division XXI — E-15 Promotion Tax Credit	0.0	0.0	-1.7	-17.2	-16.7	-0.9	-0.1
Total Revenue Change	\$ -2.8	\$ -4.4	\$ -4.7	\$ -7.3	\$ -2.6	\$ 10.1	\$ 10.4

*Totals may not add due to rounding.

The Act is estimated to increase local government revenue by the amounts in **Figure 5**.

Figure 5 — Local Government Revenue Impact (in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division II — Economic Development Programs — Tax Credits Limits — Conforming Changes	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Division IV — Elimination of the High Quality Jobs Program	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Division VII — Elimination of Investments in Qualifying Business Tax Credit Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Division XII — Endow Iowa Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue Change	\$ 0.0	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2

*Totals may not add due to rounding.

The LSA has not received a response to multiple requests for information from the IEDA for the Act. Therefore, the LSA is not able to estimate the costs of administering the Act by the Authority, if any.

Effective Date

The majority of the Divisions of this Act are effective July 1, 2025. **Division III** of this Act related to the BIG Program and **Division XIV** of this Act related to the Research and Development Tax Credit Program are effective on June 6, 2025. **Division IV** and **Division V** of this Act related to the elimination of the HQJ Program and conforming changes, **Division XI** of this Act related to the Assistive Device Tax Credit repeal, and **Division XV** of this Act related to the SAF Production Tax Credit are effective January 1, 2025. **Division XII** of this Act related to the Endow Iowa Tax Credit is effective January 1, 2026. **Division XIX** of this Act related to the Research Activities Tax Credit applies retroactively to tax years beginning on or after January 1, 2017.

Enactment Date

This Act was approved by the General Assembly on May 14, 2025, and signed by the Governor on June 6, 2025.

Sources

- Iowa Department of Revenue
- Congressional Research Service
- U.S. Department of Energy
- Iowa Economic Development Authority
- Legislative Services Agency analysis
- Department of Management Criminal Justice Planning

General Fund Fiscal Impact Estimates for 2025 Enacted Legislation

Act	Short Title/Provision	Revenue Changed/Tax Type	FY 2025	FY 2026	FY 2027
HF 976	Department of Revenue, Omnibus Act	Sales Tax	\$ 0	\$ - 6,720,000	\$ - 1,470,000
SF 22	Distracted Driving Act	Fees, Licenses, and Permits	0	30,000	106,000
SF 606	Sales Tax Returns, Filing Penalties Act	Sales Tax	0	266,000	27,000
SF 612	Cigarette and Tobacco Taxes, Permits, and Reports Act	Corporate Tax Refunds	0	- 4,953,000	- 6,615,000
SF 619	Disaster Recovery Housing Assistance Act	Corporate Income Tax	- 570,000	0	0
SF 657	Economic Development Programs and Credits Act	Income Tax Returns	- 2,800,000	- 4,407,000	- 4,698,000
Total Revenue Adjustments			<u>\$ - 3,370,000</u>	<u>\$ - 15,784,000</u>	<u>\$ - 12,650,000</u>

Note: The totals listed on this table may not tie to the totals on the General Fund Revenue Adjustment table due to rounding.